

Message Text

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43

ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 INR-07 EB-07 ABF-01 FS-01

OMB-01 COME-00 OPIC-03 AID-05 PRS-01 /057 W

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R 091502Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 790

SECTREASURY WASHDC

LIMITED OFFICIAL USE CAIRO 3096

E.O. 11652: NA

TAGS: EFIN

SUBJECT: LE 10 MILLION TRANSFER TO CHASE NATIONAL BANK

REF: CAIRO 2867

1. CHASE NATIONAL BANK DIRECTOR GENERAL NEUBERT INFORMED US MARCH 9 THAT TRANSFER OF LE 10 MILLION IN USG-OWNED PL-480 FUNDS HAS TAKEN FORM OF DEPOSIT AT CENTRAL BANK WHICH IS NOT AVAILABLE FOR OTHER USE BY CHASE NATIONAL. CENTRAL BANK REQUIRES 20 PERCENT RESERVE ON DEPOSITS. FURTHER, WE NOW LEARN, CENTRAL BANK HAS 10 PERCENT LIQUIDITY REQUIREMENT FOR ADDITION TO CHASE FUNDS HELD IN COUNTRY. CHASE NATIONAL, IN VIEW OF ITS INABILITY TO MAINTAIN LE 1 MILLION IN CASH ON HAND TO COVER NEW ACCOUNT, HAS ARRANGED TO LEAVE THAT SUM AT CENTRAL BANK IN NON-INTEREST-BEARING STATUS. NET EFFECT OF TRANSFER, THEREFORE, IS PAYMENT BY CENTRAL BANK OF ONE AND ONE HALF PERCENT INTEREST ON SEVENTY PERCENT, OR LE 7 MILLION OF NEW ACCOUNT IN CHASE NATIONAL NAME.

2. NEUBERT CHARACTERIZES GOE AGREEMENT TO MAKE TRANSFER AS ENCOURAGING FIRST STEP, BUT FIRST STEP ONLY. HE PLANS PUSH FOR ACCESS TO FUNDS FOR LOAN PURPOSES, WITH MEDIUM-TERM LOANS TO PRIVATE SECTOR FIRMS RECEIVING HIGHEST PRIORITY.

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3. COMMENT: TREASURY SECRETARY SIMON ADVOCATED SAME PURPOSE

IN TALK WITH FINANCE MINISTER ABU ISMAIL DURING RECENT VISIT.
WHEN ABU ISMAIL OBJECTED STRONGLY BECAUSE OF INFLATIONARY
EFFECT, SIMON SUGGESTED THAT PORTION OF LE 10 MILLION BE
FREED AT START, WITH POSSIBILITY OF MAKING FURTHER AMOUNTS
AVAILABLE PROVIDING INFLATIONARY EFFECT COULD BE CONTROLLED.
ABU ISMAIL GRUDGINGLY CONCEDED THAT THIS COULD BE
CONSIDERED. EMBASSY PLANS TO FOLLOW UP THIS POSSIBLE OPENING
AT EARLY DATE.
MAESTRONE

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Message Attributes

Automatic Decaptioning: X
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